

Message Text

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UNCLAS SINGAPORE 0492

E.O. 11652: N/A
TAGS: EFIN, SN, ASEAN, US
SUBJECT: TAX DEFERRAL TO BE EMPHASIZED AT JUNE US-ASEAN TALKS

REF: SINGAPORE 0390

1. SUMMARY. PRESIDENT CARTER'S PROPOSAL TO WITHDRAW THE TAX CONCESSION ON UNREPATRIATED PROFITS CONTINUES TO DRAW PRESS ATTENTION HERE. A JANUARY 31 STRAITS TIMES ARTCCLE REPORTS THAT THE PROPOSAL WILL BE AN ISSUE IN THE UPCOMING US-ASEAN TALKS. THE OPPOSITION OF THE AMERICAN BUSINESS COUNCIL (ABC) IN SINGAPORE TO REMOVAL OF TAX DEFERRAL IS ALSO REPORTED IN THE STORY, WHICH NOTES THAT IT WILL BE A TOPIC OF DISCUSSION DURING THE APCAC CONFERENCE TO BE HELD HERE LATER THIS MONTH. END SUMMARY.

2. A JANUARY 31 STRAITS TIMES ARTICLE REPORTS THAT THE ASEAN DELEGATION WILL RE-EMPHASIZE ITS STAND ON PRESIDENT CARTER'S PROPOSAL TO ABOLISH TAX DEFERRAL FOR U.S. CORPORATIONS INVESTING ABROAD DURING THE JUNE US-ASEAN TALKS IN WASHINGTON. THE ARTICLE, ENTITLED "ASEAN TO FOLLOW UP TALKS WITH U.S.," SAYS THAT THE MATTER IS VIEWED IN ASEAN CIRCLES WITH GREAT CONCERN SINCE THE U.S. IS AN IMPORTANT UNCLASSIFIED

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INVESTOR IN THE REGION AND HAS BEEN ASEAN'S SECOND LARGEST TRADE PARTNER IN RECENT YEARS. THE PRESIDENT'S COMMENT IN HIS RECENT TAX MESSAGE THAT THE U.S. WOULD PERMIT THE MATTER TO BE NEGOTIATED IN THE CASE OF SPECIFIC COUNTRIES IF "IT APPEARS TO BE IN THE NATIONAL INTEREST" TO DO SO (REFTEL) IS SEEN AS ALMOST A GUARANTEE THAT THE TOPIC WOULD BE ON THE AGENDA.

3. THE AIM OF THE COMING US-ASEAN TALKS IS DESCRIBED IN THE ARTICLE AS FINDING OUT HOW TO TRANSLATE THE PROPOSALS OF THE MANILA CONFERENCE INTO CONCRETE MEASURES. THE ARTICLE QUOTES "SOURCES" AS SAYING THAT THE TALKS WILL "FOCUS ON RECENT DEVELOPMENTS SUCH AS INCREASING U.S. PROTECTIONISM AND ITS EFFECTS ON ASEAN, IMPROVEMENT OF THE GENERALIZED SYSTEM OF PREFERENCES, AND THE PROPOSED FORMATION OF AN ASEAN-US BUSINESS COUNCIL TO FACILITATE CONSULTATION IN THE PRIVATE SECTOR" IT NOTES THAT COOPER PLEDGED IN MANILA "TO GIVE SPECIAL ATTENTION TO THE MEANS OF IMPROVING MARKET ACCESS FOR ASEAN EXPORTS TO THE U.S."

4. COMMENTS BY SINGAPORE ABC CHAIRMAN ROGER O'NEIL ON THE TAX DEFERRAL PROPOSAL DURING A PRESS CONFERENCE HELD TO DISCUSS THE UP-COMING APCAC MEETING ARE ALSO SUMMARIZED IN THE STRAITS TIMES ARTICLE. O'NEIL IS REPORTED SAYING THAT THE AMERICAN BUSINESS COMMUNITY HERE WAS DISMAYED AT THE PROPOSED REFORM AND THAT THERE WAS CONSENSUS AMONG AMERICAN BUSINESSMEN IN THE ASIA-PACIFIC REGION ON OPPOSING WITHDRAWAL OF THE TAX DEFERRAL. ACCORDING TO O'NEIL, EXISTING INVESTMENTS IN SINGAPORE WOULD PROBABLY NOT BE AFFECTED, BUT THE PROPOSED WITHDRAWAL WOULD DISCOURAGE NEW AND POTENTIAL INVESTORS.
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